

Aspects of Chevron Corporation's Acquisition of Atlas Energy, Inc.

Introduction

The Energy Information Administration reviews mergers, acquisitions, and alliances by companies that are [respondents to Form EIA-28](#) (Financial Reporting System (FRS)), or that result in a company that meets the FRS reporting criteria. The review is confined to a presentation of pertinent operating data of the companies and assets involved in the transaction. The FRS reporting criteria are 1 percent, or more, of U.S. crude oil and natural gas liquids, or natural gas production, or 1 percent, or more, of U.S. refinery crude oil distillation capacity.

Background

On November 9, 2010, Chevron Corporation and Atlas Energy Inc. announced that Chevron had agreed to acquire Atlas Energy for a total amount of \$4.3 billion, including \$3.2 billion of cash and the assumption of \$1.1 billion of debt. The proposed transaction will pay Atlas stockholders a premium of approximately 20 percent relative to the closing stock price on November 8, 2010.^a The transaction, which exclusively involves U.S.-based assets, includes Atlas' wholly owned oil and gas production assets in the Appalachian Basin (including the Marcellus Shale), the Michigan Basin, and the Illinois Basin; jointly owned pipeline assets servicing the Marcellus Shale region; and a Marcellus production joint venture with Reliance Industries. Restructuring transactions concerning the pipeline and joint venture assets will immediately precede the closing of Chevron's acquisition of Atlas, subject to shareholder and regulatory approval.

According to published reports, the transaction allows Chevron to acquire "a company that has one of the premier acreage positions in the prolific Marcellus [Shale of southwestern Pennsylvania, which has a] ... competitive cost structure ... and proximity to premier natural gas markets."^b This transaction (in the absence of any divestitures) increases Chevron's U.S. natural gas production by 7 percent and its U.S. natural gas reserves by almost 38 percent.

Additional information is available from the websites of [Chevron](#) and [Atlas](#), including the most recent annual report of [Chevron](#) and [Atlas \(PDF-format\)](#). This data presentation is similar to data presentations that have been previously requested from EIA for other significant energy company mergers and/or corporate alliances.

^a According to *The Wall Street Journal* the closing share price was \$31.72/share and the proposed transaction will pay \$38.25/share. See Jarzemsky, Matt, "Chevron to Acquire Atlas Energy for \$3.2 Billion," *The Wall Street Journal* (November 9, 2010).

^b Chevron Corporation, "Chevron Announces Agreement to Acquire Atlas Energy," (November 9, 2010). Available on the internet at <http://investor.chevron.com/phoenix.zhtml?c=130102&p=irol-newsArticle&ID=1493777&highlight=> (as of November 9, 2010).

U.S. Crude Oil and Natural Gas Reserves and Production of Chevron and Atlas, 2009

	Chevron	Atlas Energy	Chevron/ Atlas Energy Total	U.S. Total	Chevron	Atlas Energy	Chevron/ Atlas Energy Total
Oil and Natural Gas Liquids	(Million barrels)				Percent		
Production	177	0.2	177.2	2,653.6	6.7	0.0	6.7
Reserves	1,361.0	1.9	1,362.9	28,422.0	4.8	0.0	4.8
Natural Gas	(Billion cubic feet)				Percent		
Production	511	35.8	546.8	20,955.0	2.4	0.2	2.6
Reserves	2,698	1,008.7	3,706.70	253,688.0	1.1	0.4	1.5

Note: Reserves are at year-end. U.S. total reserves for 2009 are estimated using 2008 reserves and applying the weighted-average annual changes for 1998-2007, which are -0.02 percent for liquids and +3.7 percent for natural gas. The 2008 data were not used in the weighted-average calculation because of the unusually large number of write-downs for crude oil reserves due to U.S. Securities and Exchange Commission rules that have since been revised. The 1998-2008 weighted-averages are -0.7 percent for liquids and +3.6 percent for natural gas.

Sources: **Company information:** Chevron Corporation, 2009 U.S. Securities and Exchange Commission Form 10-K, pp. FS-72 and FS-74; Atlas Energy Inc., 2009 U.S. Securities and Exchange Commission Form 10-K, p. 157; **U.S. liquids production:** Energy Information Administration (EIA), *Monthly Energy Review* (October 2010), Table 3.1; U.S. natural gas production (dry): EIA, *Monthly Energy Review* (March 2010), Table 4.1; **U.S. Reserves:** Calculated using EIA, *U.S. Crude Oil, Natural Gas, and Natural Gas Liquids Reserves, 2008* (October 29, 2009), Table 3.

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